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SCHEDULED COMMERCIAL BANKS (SCBS) OF INDIA: A STUDY ON KEY PERFORMANCE INDICATORS (KPIS)

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Abstract:
The authors of this paper establish metrics for assessing a few chosen financial KPIs of Indian commercial banks. The study analyzed data from commercial banks for the years 2019–20 to 2022–2023 using Key Performance Indicators. Financial performance was measured using six indicators: financial performance, operational efficiency and cost management, asset quality and credit risk, liquidity and funding, regulatory compliance, diversification, and income mix KPIs. Payment Banks and Public Sector Banks are required to manage core operations to increase profitability efficiently. Inefficient investment portfolios, high employee costs, and reliance on costlier deposits are issues for Payment Banks. Small Finance Banks have the highest COD, and potentially lower net interest margin, while Payment Banks have higher cost control. Foreign Banks and Payment Banks have excessive liquidity and possible underutilization of funds. PvSBs, Foreign Banks, and All Schedule Commercial Banks are not meeting regulatory targets for lending to the priority sector. The efficient performance of banks is the essence of the robust financial and economic system of the country. Effective implementation of financial policies ensures better control and better performance of banks by KPIs and maintains the highest level of financial stability, which would improve the further expansion of the financial performance of the banks. The authors offer a KPI-based measure of financial performance that incorporates sub-indicators from the Broad Six KPIs.

Keywords: Key Performance Indicators (KPIS), Commercial Banks, Financial Performance, Operational Efficiency and Cost Management, Asset Quality and Credit Risk, Liquidity and Funding, Regulatory Compliance, Diversification and Income Mix KPIS.

INTRODUCTION

Over the last several years, there has been noticeable progress and expansion in the banking sector in India. The banking industry is constantly emerging (Malyadri & Sirisha, 2013). The keystone of each financial sector is the bank. They are crucial in directing savings from surplus areas into needy areas. An economy's success is determined by its banking mechanism's competence and reliability. The Indian banking sector is essential to the economy's prosperity and expansion, and the Indian economy is not a deviation from this rule. In India, there are Public Sector banks12), Private Sector Banks (21), Foreign Banks (46), Regional Rural Banks (43), Payment Banks (06), and Small Financial Banks (12) in Scheduled Commercial Banks. A committee was established by the Reserve Bank of India (RBI) in September 2013 to investigate how banking services benefit individuals and those with limited incomes. Dr. Nachiket Mor served as the committee's chairman. N. Mor produced a study in January 2014, concentrating on unbanked individuals in need of basic financial services. According to Dr. Nachiket Mor's report, Payment Banks should be implemented. The Reserve Bank of India (RBI) developed the concept of payment banks, a new type of bank in India. The following features distinguish these banks: they allow restricted deposits, up to ₹200,000 per customer at this time, with potential increases. They are unable to grant credit, loans, or credit

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cards, nevertheless (Nachiket Mor, 2013). In India, small finance banks play a crucial role in expanding financial literacy, filling discrepancies, and promoting economic growth. Their dedication to financial inclusion is in line with the goals for the country's growth (Neelam, A 2019)3. The difficulties small financing banks (Chaturvedi, P, 2022) confront include the significant expenses associated with transformation initiatives and deposit accumulation; competitiveness; managing non-performing assets; technology adoption; prudential standards; and problems with human resource management. Indian commercial banks have faced several changes and difficulties. While technology advancement and customer focus have helped banks become more efficient and optimistic, the rising percentage of non-performing assets (NPAs) is also causing banks to have significant problems (Sahoo & Majhi, 2022). The Indian banking industry achieved a tremendous transformation, following nearly a decade of struggling with challenges related to bad loans. The RBI and government came up with an approach of '4R: Recognize NPAs transparently, Resolution and recovery, Recapitalization of PSBs, and Reforms in the financial ecosystem' to neutralize NPA challenges (Das, S. 2023). There are very few studies that evaluate the performance of India's banking industry overall but include only PvSBs, PSBs, and Foreign Banks in their studies (Bakhale, 2017), (Srinivasan & Britto, 2017), (Manajemen dan Bisnis et al., 2018), (Undi & C.S, 2020) and examined a small portion of the banking sector. Furthermore, no research was done to assess performance according to the types of banks based on KPIs benchmarks, which is a crucial aspect of India's banking industry. To provide a thorough evaluation of India's whole banking system, the research includes all types of Commercial banking, e.g., private, public, foreign, small financial, and payment banks.

Consistently evaluating a bank's efficiency using KPIs and measures helps banks to prove how successful their business is. (Raja, 2020)11 claims that Key Performance Indicators (KPIs) are "key success elements" that are essential to banks' ability to develop steadily. Essentially, KPIs are measures that identify the elements of institutional performance that are most important to the success of an institution both now and in the future (Parmenter, 2010)12. A bank's evaluation can be broadly categorized using the Key Performance Indicators (KPIs) into financial and non-financial categories. These sub-indicators are taken from RBI's publication, explanatory note on banks' selected financial ratios, and are categorized based on the nature of the 6 KPIs related to Financial KPIs. In this paper, the researcher focuses on the Financial KPIs, which are divided into essential sub-categories:

Table 1. Criteria on Financial Key Performance Indicators (KPIs)

Financial KPIs	Abbreviations	Subcategories of Financial KPIs	Formula	Benchmark	References
Financial Performance KPIs	ROA	Return on Assets (ROA)	(Net Profit / Total Assets) * 100	above 1%	(Janakiraman, U. 2022b)[13]
	ROE	Return on Equity (ROE)	(Net Profit / (Capital + Reserves and Surplus) * 100	above 12% to 15%.	(Sethi, R. B. 1968)[14]
	NIM	Net Interest Margin (NIM)	[(Interest Income - Interest Expenses) / Total Assets] * 100	above 2% to 3%.	(Janakiraman, U. 2022a)[15]
	OPTA	Operating Profits to Total Assets	(Operating Profits / Total Assets) * 100	above 1%.	(Sahoo, H. R, 2021)[16]

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	ROA_d	Return on Advances	(Interest earned on advances / Advances) * 100	above 3%	(Janakiraman, U. 2022a)[17]
	ROI	Return on Investments	(Interest earned on Investments /Investments) * 100	above 2%	(Sahoo, P. C. 2015)[18]
	ROAACOF	Return on Advances Adjusted to Cost of Funds	(Return on Advances - Cost of Funds) * 100	+	(Janakiraman, U. 2022a)[19]
	ROIACOF	Return on Investments Adjusted to Cost of Funds	(Return on Investments - Cost of Funds) * 100	+	(BIS, 2023)[20]
Asset Quality and Credit Risk KPIs	CDR	Credit - Deposit Ratio	(Total Credit / Total Deposits) * 100	75% to 80%	(Mishra, M 2023)[21]
	SATA	Secured Advances to Total Advances	(Secured Advances / Total Advances) * 100	A well-balanced mix is essential.	(Janakiraman, 2022a)[22]
	IDR	Investment - Deposit Ratio	(Total Investments / Total Deposits) * 100	below 30% to 40%.	(Bhatnagar, S. 2016)[23]
Operational Efficiency and Cost Management	ICTA	Intermediation Cost to Total Assets	(Operating expenses / Total Assets) * 100	below 2%.	(Sethi, R. B. 1968)[24]
	WBIC	Wage Bills to Intermediation Cost	(Payment to and provisions for employees / Intermediation Costs) * 100	below 50%.	(Mishra, M. 2023)[25]
	WBTE	Wage Bills to Total Expenses	(Payment to and provisions for employees / Total Expenses) * 100	below 30%.	(Sebi, 2015)[26]
	WBTI	Wage Bills to Total Income	(Payment to and provisions for employees / Total Income) * 100	below 25%.	(Yadav, 2021)[27]
	BTA	Burden to Total Assets	(Operating expenses - Other income / Total Assets) * 100	below 2%.	(BIS, 2013)[28]
	BII	Burden to Interest Income	(Operating expenses - Other income / Interest Income) * 100	below 30%.	(Mishra, M. 2023)[29]
	COD	Cost of Deposits	(Interest Expenses on Deposits / Average Deposits)	below 5%.	(Janakiraman, 2023)[30]
	COB	Cost of Borrowings	(Interest Expenses on Borrowings / Average Borrowings)	below 6%.	(BIS, 2023)[31]

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	COF	Cost of Funds	(Interest Expenses on Deposits and Borrowings/Deposits and Borrowings)	below 4%.	(RBI, 1999)[32]
Liquidity and Funding KPIs	CaDR	Cash - Deposit Ratio	(Cash in hand + Balances with RBI / Total Deposits) * 100	below 10%	(BIS, 2013)[33]
	DTL	Deposits to Total Liabilities	(Total Deposits / Total Liabilities) * 100	A well-balanced mix is essential.	(BIS, 2016)[34]
	DSBDTD	Demand & Savings Bank Deposits to Total Deposits	(Demand Deposits + Savings Bank Deposits) / Total Deposits	above 30%.	(Janakiraman, U. 2023)[35]
Regulatory Compliance KPIs	PSATA	Priority Sector Advances to Total Advances	(Priority Sector Advances / Total Advances) * 100	around 40%.	(Gupta, 2023)[36]
	INASTI	Investments in Non-Approved Securities to Total Investments	(Non-Approved Securities / Total Investments) * 100	low	(SEBI, 2020)[37]
Diversification and Income Mix KPIs	NIITA	Non-Interest Income to Total Assets	(Non-Interest Income / Total Assets) * 100	above 10%.	(Mishra, 2023)[38]
	IITA	Interest income to total assets	(Interest earned / Total Assets) * 100	above 7%	(Janakiraman, U. 2022a)[39]

Source: RBI

Literature Review. This section reviews the research on bank performance measures with various KPIs and other variables related to banks. (Raja, 2020) investigates the relationship between ROA, ROE, and the other KPIs, as well as the correlation between ROA and other KPIs and between ROE and other KPIs. The research work highlighted the fact that KPIs are "Critical Success Factors" that are vital to banks' ability to develop sustainability. By using KPIs (Qadri, 2020), 41 depicted that conventional banks outperform Islamic banks in terms of overall performance. (Zakaria et al., 2011)42 was carried out at the National Registration Department in Pulau Pinang to investigate how the frontline agency uses KPIs and how they handle performance measurement instruments as a means of gauging their effectiveness. The study's design employed a qualitative approach using semi-structured interviews. The results show that assessing both organizational and individual performance with KPIs has proven fruitful. Adopting the KPIs method can be challenging at first, but using KPIs has improved their administration and services over the past years of deployments. (Fuller, 1997) Organizational strengths and weaknesses can be determined by using key indicators, such as operational and strategic benchmarking. Planning improvement goals with these indicators is possible, but it can be costly and time-consuming. By recognizing these KPIs, auditors can increase productivity and save time. (Nimalathasan, 2009) used information from 100 participants spread

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over a dozen locations to examine the factors that influence KPIs in Public Sector Banks in Sri Lanka. The research found 8 factors: the "accident ratio, opportunity succession rate, cash flow, return on capital employed, customer satisfaction rate, and overall equipment effectiveness," which together accounted for 73.781% of the variability. Through the use of a balanced scorecard performance appraisal system (Nazneen et al., 2019), investigators offer a model for measuring outcomes in the banking industry. The model identifies KPI analysis variables such as work culture, client orientation, bank viewpoint, financial achievements, work focus, internal business processes, and mastering the expansion context. (Odunga, 2016)46 examines the causality between operational efficiency and bank-specific performance metrics and finds a significant association, highlighting the significance of market share in determining efficiency. (Wadongo et al., 2010) looks into how managerial traits affect important performance metrics in the hotel sector in Kenya. An analysis was conducted on 160 supervisors' responses employing an exploratory approach. The findings demonstrated that managers frequently ignore financial and performance metrics and that demographic factors influence their selection of indicators.

In every sector KPIs were used but in Indian Banking Sectors only a few KPIs were Measured (Nimalathasan, 2009), (Nazneen et al., 2019)49, (Raja, 2020) They focused on mainly Non-financial aspects of KPIs in hospitals banks and companies but no study available on evaluation of the financial performance of banks with KPIs benchmarks, to fulfill this literature gap, the researcher has done this study to assess and evaluate the KPIs of the scheduled commercial banks in India.

METHODS

This study is descriptive and based on secondary data from the RBI, from which the researcher collected data from All Scheduled Commercial Banks aggregate data (Public Sector, Private Sector, Foreign, Small Finance, and Payments Banks) from 2019-20 to 2022-23 a total of 4 years and computed the mean of all 4 years of data to analyze and interpret based on benchmarks of the select financial KPIs of the banks.

RESULT AND DISCUSSION

Financial Performance KPIs. These KPIs are to assess the bank's profit potential and financial viability. Given below, Chart 1 is the calculated mean of the sub-indicators from 2019-20 to 2022-23 KPIs of Financial Performance.

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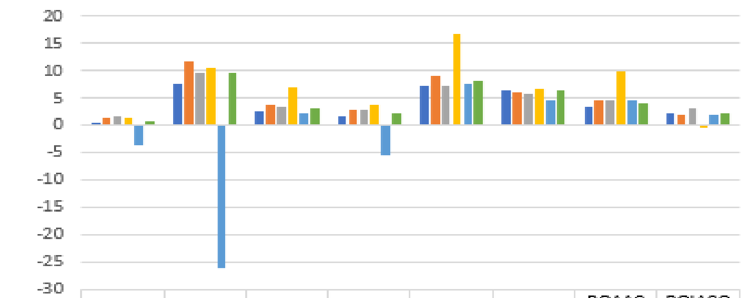

	ROA	ROE	NIM	OPTA	ROAd	ROI	ROAACOF	ROIACOF
PSBs	0,47	7,63	2,51	1,72	7,36	6,41	3,3	2,35
PvSBs	1,35	11,65	3,65	2,83	8,97	6,11	4,74	1,87
FBs	1,5	9,54	3,37	2,88	7,34	5,88	4,72	3,27
SFBs	1,27	10,62	7,11	3,63	16,68	6,57	9,96	-0,16
PBs	-3,54	-26	2,22	-5,32	7,43	4,67	4,59	1,82
ASCBs	0,84	9,63	2,99	2,18	8,04	6,28	3,98	2,21

PSBs PvSBs FBs SFBs PBs ASCBs

Source: RBI-Database on Indian Economy.

Figure 1. Financial Performance KPIs

Return on Assets (ROA) evaluates a bank's profitability by measuring its net income as a percentage of total assets. According to RBI guidelines on capital adequacy, ROA should be above 1 %, and Chart 1 demonstrates how well Foreign Banks use their assets to generate profits, with the highest ROA at 1.5, followed by PvSBs and Small Finance Banks, Public Sector Banks have 0.47 and payment banks have the lowest at -3.54, and Moderate profitability to assets is represented by the industry average ROA of 0.84.

A bank's Return on Equity (ROE) is determined by calculating its net income as a proportion of shareholders' equity. According to the Banking Regulations Act of 1949, A healthy ROE should be 12 to 15 percent. Moderate to healthy profitability of PvSBs at 11.65, Small Finance Banks at 10.62, and Foreign Banks at 9.54 to equity is shown in Chart 1. Payment Banks at -26 and Public Sector Banks at 7.63 are the lowest. The industry average return on equity is 9.63, which indicates moderate profitability to equity.

Net Interest Margin (NIM) shows the percentage of total assets that is equal to the gap between interest income and interest expenses. Inside the risk-based capital adequacy standards of Basel III, NIM should be above 2 to 3 %. Additionally, Chart 1 shows that Small Finance Banks have a higher A at 7.11, reflecting a variety of revenue sources outside of activities related to interests, followed by PvSBs at 3.65, Foreign Banks at 3.37, Public Sector Banks at 2.51 and Payment Banks at 2.22 and the industry average at 2.99

Operating Profits to Total Assets (OPTA) measures the proportion of a bank's operating profits to its total assets. As per SEBI standards for banks' risk management, it should be above 1 %. In Chart 1, the profitability of the primary business activities is indicated by the Small Finance Banks at 3.63, which are followed by the Foreign Banks at 2.88, PvSBs at 2.83, Public Sector Banks at 1.72, and Payment Banks with their inefficient core operations, which have a lower OPTA at -5.32 and the industry average at 2.18.

Return on Advances (ROAd) evaluates the profitability of a bank's loan portfolio. According to Basel III criteria, credit risk should be more than 3 %. Chart 1 shows Small Finance Banks at 16.68 Highest ROAd and Efficient lending operations, which shows strong profitability, followed by

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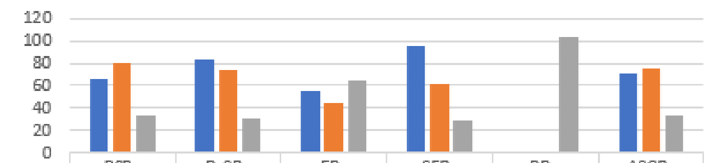
PvSBs at 8.97, Payment Banks at 7.43, Public Sector Banks at 7.36, Foreign Banks at 7.34, and an Industry average at 8.04.

Return on Investments (ROI) evaluates the profitability of a bank's investment portfolio. According to SEBI guidelines, prudential limits on bank investments must be higher than 2 percent. Chart 1 shows that each commercial sector Banks have more than what is required, which includes an effective investment portfolio and high profitability as measured by Small Finance Banks 6.57, Public Sector Banks 6.41, PvSBs 6.11, Foreign Banks 5.88, Payment Banks 4.67, and the total All Schedule Commercial Banks 6.28.

Return on Advances Adjusted to Cost of Funds (ROAACOF) is the net profitability of the bank's lending operations while accounting for funding costs. As per Basel III criteria for capital sufficiency, depending on risk, it ought to be positive. Chart 1 illustrates that Small Finance Banks have the highest at 9.96, PVSBs and Foreign Banks are the same at 4.74, Payment Banks at 4.59, Public Sector Banks at 3.3, and All Schedule Commercial Banks at 3.98.

Return on Investments Adjusted to Cost of Funds (ROIACOF) considers the cost of funding when assessing the net profitability of the bank's investment activities. It should be favorable as per RBI recommendations on accounting standards for investments. Chart 1 demonstrates that Foreign Banks have the most at 3.27, followed by Public Sector Banks at 2.35. PvSBs at 1.87, Payment Banks at 1.82, and All Schedule Commercial Banks at 2.21. Small Finance Banks have the lowest Inefficient investment portfolio, considering the cost of funds at -0.16, and All Schedule Commercial Banks at 2.21.

Asset Quality and Credit Risk KPIs. The purpose of these KPIs is to assess the credit risk management and quality of the loan portfolio. Chart 2 below shows the calculated mean of the sub-indicators from 2019-20 to 2022-23 of asset quality and credit risk KPIs.



	PSBs	PvSBs	FBs	SFBs	PBs	ASCBs
CDR	66,17	83,14	55,21	96,14	0,01	71,2
SATA	79,72	73,95	44,5	61,1	0	76,07
IDR	33,71	30,67	64,88	28,74	103,95	34,23

CDR SATA IDR

Source: RBI-Database on Indian Economy.

Figure 2. Asset Quality and Credit Risk KPIs

Credit-Deposit Ratio (CDR) assesses the extent to which a bank's deposits support its loans. The RBI's prudential standards for asset classification state that it should be between 70 and 80 percent. Chart2 depicts that Small Finance Banks have aggressive lending at 96.14, followed by PvSBs at 83.14, inadequate use of the deposits that are available for lending by Public Sector Banks at 66.17, Foreign Banks at 55.21, Payment Banks have CDR at 0.01 because they were not allowed to give credit to their customers and all average sectors have Balanced lending and deposit mobilization by All Schedule Commercial Banks at 71.20.

Secured Advances to Total Advances (SATA) calculates the proportion of advances made by a collateralized bank and a balanced mix following the Basel III framework on capital adequacy. Chart 2 demonstrates that a greater ratio of Public Sector Banks at 79.72, which denotes a risk

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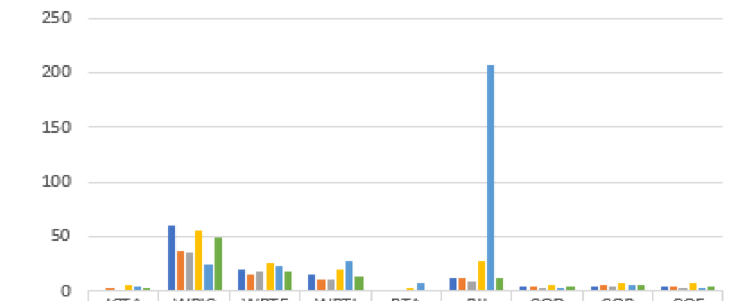
management strategy that is more cautious than PvSBs at 73.95, Small Finance Banks at 61.1, a lower ratio of Foreign Banks at 44.5, Payment Banks at 0.0, due to they will not give advances to their customers, and All Schedule Commercial Banks at 76.07.

Investment - Deposit Ratio (IDR) evaluates the ratio of a bank's investments to its overall deposit base. According to the 1949 Banking Regulations Act, it should be between 30 and 40 percent. Chart 2 shows a high IDR of Payment Banks at 103.95, which indicates they follow a Conservative approach, with emphasis on securities and a more cautious strategy with larger investment sums, than Foreign Banks at 64.88, Public Sector Banks at 33.71, PvSBs at 30.67, and a low of Small Finance Banks at 28.74, which exhibits an aggressive lending approach. Moreover, the All Schedule Commercial Banks at 34.23 serves to show a balanced distribution of investments and loans.

Operational Efficiency and Cost Management KPIs. The purpose of these KPIs is to evaluate resource usage efficacy, cost control, and operating efficiency. Chart 3 below displays the computed mean of the operational efficiency and cost management KPI sub-indicators from 2020–19 to 2022–23.



	ICTA	WBIC	WBTE	WBTI	BTA	BII	COD	COB	COF
PSBs	1,81	60,47	20,01	15,22	0,79	12,77	4,01	4,76	4,06
PvSBs	2,27	37,38	14,49	9,77	0,82	11,38	4,03	5,67	4,23
FBs	1,82	35,82	18,12	10,11	0,49	9,68	2,47	3,56	2,62
SFBs	5,28	54,77	26,4	19,84	3,47	27,31	6,39	8,02	6,72
PBs	4,06	24,04	23,06	27,63	7,54	207,49	2,73	5,29	2,85
ASCBs	2,01	49,88	18,1	12,98	0,81	12,38	3,96	5,13	4,06

PSBs PvSBs FBs SFBs PBs ASCBs

Source: RBI-Database on Indian Economy.

Figure 3. Operational Efficiency and Cost Management KPIs

A bank's non-interest income as a percentage of its total assets is assessed by Intermediation Cost to Total Assets (ICTA). If it is less than 2 percent, it should be acceptable, per RBI guidelines on revenue recognition and asset classification. Chart 3 portrays that Small Finance Banks and Payment Banks have the highest ICTA at 5.28 and 4.06, respectively, which shows inefficient cost management of a variety of revenue sources outside of activities associated with interests than PvSBs at 2.27, and Efficient cost management by Foreign Banks at 1.82 and Public Sector Banks at 1.84. Moreover, moderated by All Schedule Commercial Banks at 2.01.

The proportion of intermediation costs related to employee wages is measured by Wage Bills to Intermediation Costs (WBIC). It should be less than 50%, as per RBI rules on prudential standards for banks. Chart 3 depicts that Public Sector Banks have the highest employee cost relative to operating costs at 60.47, Small Finance Banks at 54.77, PvSBs at 37.38, Foreign Banks at 35.82, and

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efficient employee cost management by Payment Banks at 24.04, a balanced employee cost management by ASCB at 49.88.

Wage Bills to Total Income (WBTE) evaluates the percentage of overall costs that go toward paying employees' salaries. The SEBI standards state that fewer than 30% of bank disclosures and reports must be made. Chart 3 illustrates that all these banks maintained efficient cost control for employees by PVSBs at 14.49, Foreign Banks at 18.12, Public Sector Banks at 20.01, Payment Banks at 23.06, Small Finance Banks at 26.4, and optimal cost control for employees by All Schedule Commercial Banks at 18.10

Wage Bills to Total Income (WBTI) calculates the portion of total income that goes toward paying employees. It must be less than 25%, according to RBI norms on corporate governance for banks. Chart 3 demonstrates that Payment Banks have a higher cost control for employees at 27.63 than Small Finance Banks at 19.84, Public Sector Banks at 15.22, and optimal cost control for employees by Foreign Banks at 10.11, PvSBs at 9.77, and All Schedule Commercial Banks at 12.98.

The burden to Total Assets (BTA) evaluates the whole cost burden, which includes interest and operational expenses, as a percentage of total assets under Basel III recommendations for liquidity risk under 2%. Chart 3 shows that Foreign Banks have a more efficient total cost control at 0.49 than Public Sector Banks at 0.79, PvSBs at 0.82, All Schedule Commercial Banks at 0.81, and Unproductive total cost control by Small Finance Banks at 3.47, and Payment Banks at 7.54

Burden to Interest Income (BII): Determine the percentage of interest income used to pay operations and interest costs; according to the RBI master circular on income recognition, this percentage should be less than 30%. Chart 3 portrays that Payment Banks have greater costs in comparison to interest income than all other sectors. Foreign Banks have an effective cost-covering utilization of interest income at 9.68. Public Sector Banks at 12.77, PvSBs at 11.38, Small Finance Banks at 27.31, and All Schedule Commercial Banks at 12.38.

Cost of Deposits (COD) calculates the bank's expenses to draw in and keep deposit accounts. The RBI's interest rate risk management rules stipulate that it must be less than five percent. Chart 3 shows that Small Finance Banks have the largest COD at 6.39, which may be lower than that of PvSBs at 4.03, Public Sector Banks at 4.01, Payment Banks at 2.73, Foreign Banks at 2.47, and All Schedule Commercial Banks at 3.96, all of which are lower cost of Deposits increase the margin of net interest.

The cost of Borrowing (COB) assesses the expense that the bank bears to obtain a loan. The Basel III guideline on liquidity risk states that it should be less than 6 percent. Chart 3 shows that, with a COB of 8.02, Small Finance Banks are the most expensive, with a possible impact on the total cost of funds compared to lower costs with a potentially positive impact by PvSBs at 5.67, Payment Banks at 5.29, Public Sector Banks at 4.76, Foreign Banks at 3.56, and All Schedule Commercial Banks at 5.13.

Cost of Funds (COF) evaluates the total money the bank has to pay to run its business. The RBI's asset-liability management guidelines state that it should be less than 4%. Chart 3 reveals that, in comparison to PvSBs at 4.23, Public Sector Banks at 4.06, Foreign Banks at 2.62, Payment Banks at 2.85, and All Schedule Commercial Banks at 4.06, Small Finance Banks have a greater COF, which may lead to lower overall costs and increased profitability.

Liquidity and Funding KPIs. These KPIs are meant to assess the bank's ability to keep an eye on its funding sources and meet its immediate obligations. The calculated mean of the Liquidity and Funding KPIs sub-indicators from 2020–19 to 2022–23 is shown in Chart 4 below.

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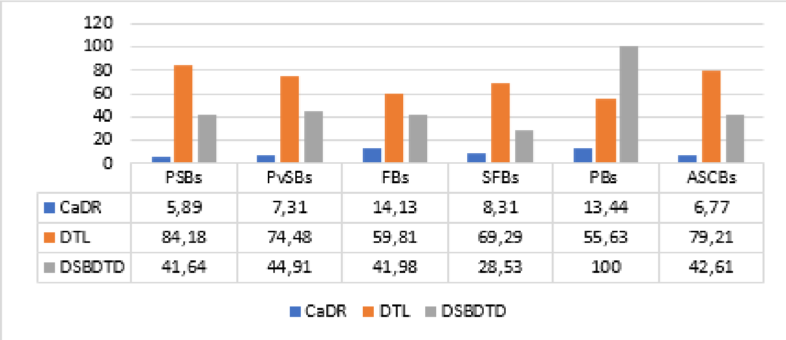


Source: RBI-Database on Indian Economy.

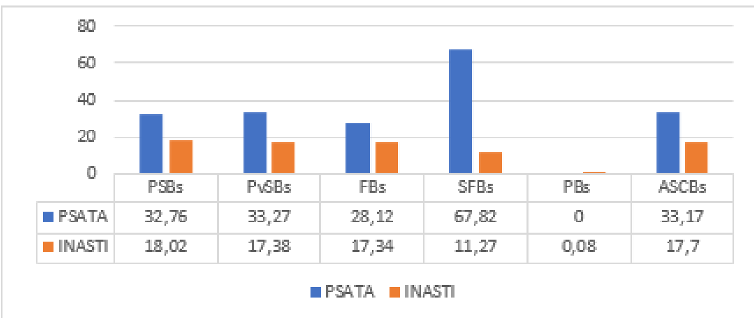
Figure 4. Liquidity and Funding KPIs

The ratio of a bank's total cash holdings to its total deposits is measured by its Cash-Deposit Ratio (CaDR). According to Basel III, the Basel Committee on Banking Supervision (2013), it should be less than 10 percent. Chart 4 compares Small Finance Banks at 8.31, PvSBs at 7.31, Public Sector Banks at 5.89, and an industry average of All Schedule Commercial Banks at 6.77 to Foreign Banks and Payment Banks ' excessive liquidity and possible underutilization of funds at 14.13 and 13.44. diligent management of liquidity.

Deposits to Total Liabilities (DTL) calculates the ratio of a bank's total liabilities to its total deposits. A well-balanced combination is required by the Banking Regulations Act of 1949. As can be seen from Chart 4, Public Sector Banks are most dependent on deposits (84.18) to cover their financial obligations, followed by PvSBs (74.48). Small Finance Banks at 69.29, Foreign Banks at 59.81, Payment Banks at 55.63, and All Schedule Commercial Banks at 79.21, representing a balanced mix of financing sources

The demand and savings bank deposit percentage relative to the entire deposit base is assessed by Demand & Savings Bank Deposits to Total Deposits (DSBDTD). The reserve requirement should be more than thirty percent, according to RBI norms. As seen in Chart 4, Payment Banks have a greater ratio, signifying a bigger proportion of low-cost deposits at 100. PvSBs have a balanced mix of term deposits, savings, and demand at 44.91, Foreign Banks at 41.98, Public Sector Banks at 41.64, All Schedule Commercial Banks at 42.61, and Small Finance Banks have a reliance on costlier deposits at 28.53.

Regulatory Compliance KPIs. The bank's capacity to monitor its financing sources and fulfill its immediate obligations is to be evaluated through these KPIs. Chart 5 below displays the computed mean of the Regulatory Compliance KPIs sub-indicators from 2020–19 to 2022–23.



Source: RBI-Database on Indian Economy.

Figure 5. Regulatory Compliance KPIs

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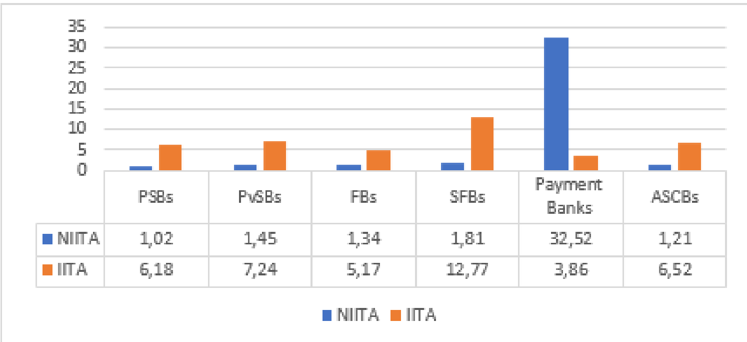
Priority Sector Advances to Total Advances (PSATA) evaluates how much a bank lends to priority sectors. The RBI master circular on lending to the priority sector states that it should be approximately forty percent. According to Chart5, Small Finance Banks are meeting regulatory targets for lending to the priority sector at a rate of 67.82 percent; PvSBs, PSBs, and Schedule Commercial Banks are lending across sectors at a rate of 33.27, 32.76, and 33.17, respectively; Foreign Banks are not meeting the regulatory targets for lending to the priority sector at a rate of 28.12, and Payment Banks have no priority because they were not permitted to lend to their clients.

The percentage of a bank's interests in securities that do not have regulatory approval is evaluated by Investments in Non-Approved Securities to Total Investments (INASTI). It should be preferred at low, following SEBI requirements on prudential investment restrictions for the banks. Chart 5 demonstrates that Payment Banks ' 0.08 score results from their inability to lend to clients. Small Finance Banks' 11.27 percent balanced and compliant investment portfolio; PSBs' 18.02 percent possible risk; PvSBs' 17.38 percent; Foreign Banks' 17.4 percent; and All Schedule Commercial Banks' 17.7 percent non-compliance with regulatory criteria.

Diversification and Income Mix KPIs. These KPIs are designed to look at the distribution of revenue and the balance between interest and non-interest income. Chart 6 below shows the calculated mean of the KPIs sub-indicators for income mix and diversification from 2020–19 to 2022–23.



Source: RBI-Database on Indian Economy.

Figure 6. Diversification and Income Mix KPIs:

The percentage of a bank's total assets that generate non-interest income is known as interest income to total assets (NIITA). It should be more than ten percent, as per RBI criteria on asset classification and income recognition. With 32.52 percent NIITA, Chart 6 demonstrates the Payment Banks ' diverse revenue streams. Small Finance Banks, PvSBs, PSBs, Schedule Commercial Banks, and Foreign Banks rely heavily on interest income, with 1.81, 1.45, 1.34, and 1.21 percent, respectively.

Interest income to total assets (IITA) calculates interest income as a percentage of total assets a bank holds by Basel III's standards for risk-based capital adequacy. It ought to be higher than 7%. Chart 6 highlights that Small Finance Banks utilize their assets effectively, with 12.77 and PvSBs at 7.24, Foreign Banks at 5.17, Payment Banks at 3.86, and All Schedule Commercial Banks at 6.52, close to optimally utilizing their assets.

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CONCLUSION

The banking industry is one of the most fascinating industries in India and the entire world because it plays a significant role in the nation's economy. Achieving an equilibrium between maintaining the sustainability and robustness of the banking system and encouraging creativity and effectiveness in the banking industry is imperative for policymakers. Cooperation among financial institutions, regulators, and other stakeholders is crucial to accomplish these objectives. Thus, this study attempted to evaluate the performance of all scheduled commercial banks that are active in India by using secondary data from annual reports. This research comprised below categories of commercial banks:

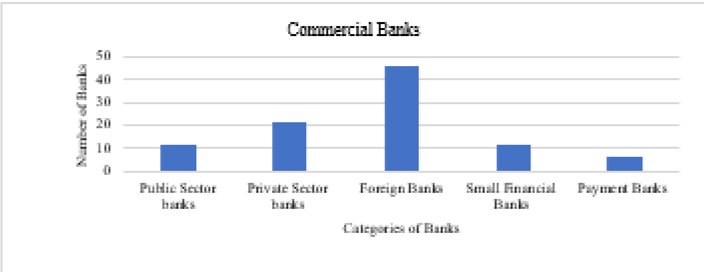

Figure 7. Number of categories of Commercial Banks (source: RBI)

Financial KPIs were used to assess the outcomes of the Banking sectors. The findings showed that not all categories of commercial banks have the same performance levels and that not all banks in a given category are as effective. Payment Banks and Public Sector Banks are required to manage core operations to increase profitability efficiently. Inefficient investment portfolios, high employee costs, and reliance on costlier deposits are issues for Payment Banks. Small Finance Banks have the highest COD, and potentially lower net interest margin, while Payment Banks have higher cost control. Foreign Banks and Payment Banks have excessive liquidity and possible underutilization of funds. Private banks and Foreign Banks are not meeting regulatory targets for lending to the priority sector.

This study focuses on various bank categories for Financial Key Performance Indicators analysis, which is the first of its kind in India. The researcher finds that Private 17.4 percent, Public 18.02 percent, and foreign banks 17.4 percent INAS are required to operate with risk management teams to cut down on investments in non-approved securities. Public sector banks have the highest employee expenditures, operating costs and unhealthy deposits to liabilities, to improve productivity and financial stability by putting flexible work schedules in place and benchmarking the sector to promote economical and productive operations. and effective liability management. Foreign Banks need diligent liquidity management to avoid excessive liquidity and possible underutilization of funds, and stringently follow the regulatory targets for lending to the priority sector. as well payment banks also have high-cost management and operating costs; they should adopt competitors' strategies to overcome these. Moreover, Small Finance Banks have high deposit costs and low efficiency to manage these by diversifying funding sources, attracting low-cost deposits, and implementing client acquisition and retention tactics to enhance efficiency.

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